

Kentucky Agricultural Development Fund Update

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AUGUST 6, 2003

KADF Board Makes Largest Commitment To-Date

The Agricultural Development Board (ADB) approved \$20 million for the Kentucky Agricultural Finance Corporation (KAFC) to establish the Kentucky Agriculture Investment Trust.

KAFC was created by statute in 1984, but has been inactive since 1996. In 2002 the ADB, as part of the *Long-term Plan for Agricultural Development*, recommended that KAFC be restructured to provide capital access for agricultural diversification and infrastructure projects.

The Kentucky Agriculture Investment Trust (KAIT) is being established by KAFC to promote the diversification of Kentucky tobacco farms beyond the availability of Agricultural Development Funds. KAFC will work with local lenders, utilizing funds to provide up to 50% of a program's total cost.

KAIT will be comprised of three financing programs: the *Investment Fund for Agriculture*, the *Agricultural Endeavors Lease Program*, and the *Young Farmers Financing Program*.

The *Investment Fund for Agriculture* will provide financial assistance by making investments in local banks to buy down the interest rate for agricultural borrowers. The Agricultural Development Board has asked the KAFC to oversee a County Investment Fund. The County Investment Fund will give counties the ability to

invest County Agricultural Development Funds into a revolving loan program.

The *Agricultural Endeavors Lease Program* will allow funds to be used to purchase real estate for the purpose of leasing to value-added agricultural processor who purchase Kentucky grown commodities. This program will combine these funds with other grant and loan sources to provide below market financing costs to the processor.

The *Young Farmers Financing Program* will allow funds to be made available to producers meeting the Farm Service Agency's *Young Farmer Program* requirements or is a "first-time" farmer, as defined in the Internal Revenue Code. KAFC will provide direct loans or loan buy-downs in concert with local lenders. The maximum loan amount will be \$125,000, matching the bank dollar for dollar. The loans will be for 15-years fixed at New York Prime rate. KAFC will also serve as an issuer of tax-exempt bonds for first-time farmers, in keeping with IRS regulations and policies.

At its August Board Meeting, the KAFC Board of Directors will begin developing regulations to implement these programs. More information will be published once the regulations have been announced and the application process defined.

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**Cultivating rural
prosperity**

DATES TO REMEMBER:

August 8—Board Project Review (Frankfort)

August 15—Board Meeting, 10:30 a.m. Southwing Board Room, KFEC (Louisville)

ELECTRONIC MAILING LISTS

Would you like to receive notice of web site updates as they are posted? Or receive notices from the Grant Bulletin?

If you said yes to either question, then send an e-mail to govkyag-policy@mail.state.ky.us and let us know which update you would like to receive.

ADF Board Meeting in Review

Record Funding Month

At its July 2003 meeting, the Kentucky Agricultural Development Board approved just under \$30 million in diversification projects for Kentucky agriculture.

Fifteen non-model projects were approved for \$25,151,395 in state, \$885,125 in KCADE and \$257,234 in county funds. These projects ranged in scope from marketing & promotion efforts to technical education and from honey processing to wine-making.

The largest single commitment of Agricultural Development Funds was made for access to capital programs. Twenty million dollars was approved for the Kentucky Agricultural Finance Corporation to administer three financing programs for producers, value-added agribusinesses, and young farmers. (*See the cover story for more details.*)

The balance of funds approved were the eight model programs. County model programs are designed to provide farmers with cost-

share funding to allow them to improve and diversify their current production practices.

Bath, Breckinridge, Henry, Marshall, Mason, McLean, Menifee, Mercer, Montgomery, Morgan, Oldham, and Webster Counties committed a total of \$495,579 to the **Agricultural Diversification** Program. \$365,291 was committed to **Fencing Improvement** in Bracken, Monroe, and Scott Counties. An additional \$671,865 was committed to **Forage Improvement** Programs in Breathitt, Casey, Edmonson, Hart, Jackson, Lyon, Marshall, McLean, and Morgan Counties. **Cattle Genetics Improvement** Programs were increased by a total of \$297,740 in Barren, Edmonson, Hopkins, Jackson, Marshall, McLean, Mercer, and Morgan Counties. Barren, Breckinridge, Estill, Graves, Greenup, Hopkins, McLean, Mercer, Morgan and Warren Counties contributed a total of \$177,400 to **Goat Diversification**. Barren, Breckinridge, Hancock, Jackson, McLean, and Morgan Counties committed a total of \$358,365 to their **Cattle Handling** Programs. Fifteen

Coming Soon:

Fiscal Year 2003

Annual Report

Hay, Straw & Commodity Storage Programs for a total of \$1,235,200 were implemented in Ballard, Breathitt, Breckinridge, Elliott, Estill, Hart, Henry, Jackson, Lawrence, Lyon, Mercer, Montgomery, Morgan and Wolfe Counties.

Also at this meeting, a representative of Co-Bank's Business Advisory Services presented an update on the Cumberland Farm Products value-added feasibility study.

Listing of Projects
Funded in July:
agpolicy.ky.gov/news

AGRICULTURAL DEVELOPMENT FUND BUDGET FOR FISCAL YEAR 2004*

ADF Budget 2004

To the right is the estimated budget for fiscal year 2004 Agricultural Development Funds (ADF). The first eight items comprise the State-level Funds, which total 65% of the ADF allotment.

The County-level Funds listed are divided among 118 of the 120 counties by a formula based on tobacco dependency. The breakdown of the County-level Funds is available at agpolicy.ky.gov.

| | |
|--------------|---|
| \$ 9,000,000 | Environmental Cost-share Assistance |
| \$ 5,000,000 | Water-line Extension Bond Issue: Debt Service (2003 authorization) |
| \$ 4,100,000 | Water-line Extension Bond Issue: Debt Service (2000 authorization) |
| \$ 513,300 | Budget Reduction Orders |
| \$ 2,000,000 | Farmland Preservation Bond Issue: Debt Service (2000 authorization) |
| \$ 1,600,000 | Merit-based Bonuses: Cooperative Extension Agents |
| \$ 1,869,900 | Administrative Support: ADB and KCADE |
| \$11,358,300 | Funds for State-level Agricultural Development Projects |
| \$19,092,500 | County-level Funds (35% of ADF allotment) |

* Estimate Only

Phase II Update

The Plan

At its March 2003 meeting, the Kentucky Tobacco Settlement Trust Corporation (KTSTC), chaired by Governor Paul Patton, adopted its plan for distributing proceeds from the National Tobacco Growers Settlement Trust in 2003.

This year's plan maintains the one-third split: 1/3 to crop year 2002 quota owners, 1/3 to the party who owns or controls that land used to produce tobacco, and 1/3 to the party who employs the labor used in tobacco production. Payments to owners of quota will be based on basic quota ownership records from the U.S. Department of Agriculture for the 2002 crop year.

Only crop year 2002 basic quota owners are required to fill out an application.

Payments for the land and labor components, referred to respectively as the Growing Farm and Grower/Tenant, will again be based on an average of production and marketing activity in the years 1998, 1999, and 2000. The payment unit, referred to as payment pounds, is determined by averaging the effective quota and actual marketings for the three crop years in question.

The Process

This year applications will be mailed the week of August 18 to crop year 2002 farm operators. Only the crop year 2002 basic quota owners are required to fill out an application this year. The Growing Farm and Grower/Tenant compensation has been predetermined through past application periods.

Applications must be postmarked and returned by September 19, 2003. [A return envelope will be provided in the application.] Toll free assistance in completing the application is available by calling 1-877-549-2537.

Completed applications should be mailed to:

*Kentucky Tobacco Certification
Claimtrack Services Group
P.O. Box 600488
Jacksonville, FL 32260-0488*

The public payee register will be available for review at each Farm Service Agency and County Extension Office on October 15. All disputes must be filed by October 31. Only the 2002 basic quota allocation is subject to dispute.



2002 Phase II Press Conference
at Doug Langley's farm in Shelby County.

Kentucky's estimated share of the Trust is \$130 million for 2003. According to Joel Neaveill, Phase II Coordinator, this estimate is the same as last year's, which was the largest distribution to date. On November 15, 2003 the National Trustee will inform KTSTC of the exact amount available for this year's distribution.

Payment rates will be established once the exact amount available for distribution is determined. The National Trustee will issue checks on Tuesday, December 30, 2003.

TOLL FREE Help Line
1-877-549-2537

Phase II Dates to Remember

| | | | |
|---------------------|-------------------------------|--------------------|------------------------------------|
| August 18 | Applications mailed that week | November 15 | Exact Distribution Amount Released |
| September 19 | Applications Due | December 30 | Phase II Checks Issued by Trustee |
| October 15 | Payee Register available | | |
| October 31 | Dispute Deadline | | |

**Reporting for
2nd Quarter
was due
July 15**

Standard EPDs Adopted

At its July 2003 meeting, the Kentucky Agricultural Development Board adopted new Expected Progeny Difference (EPD) guidelines as a standard across all counties for the Cattle Genetics Improvement model cost-share program.

The **Cattle Genetics Improvement Program**, as adopted in February of 2001, provides minimum EPD guidelines for use in the program. However, counties could adopt stricter guidelines, if they chose. With this new amendment, all counties will have the same EPD guidelines to follow for bulls to qualify. If a farmer wants to purchase an animal with higher EPDs, then it is at the farmer's own discretion.

This change should allow farmers who are interested in characteristics, other than size, to select for the most economical animal for their herd.

The new standards will be posted on our website at agpolicy.ky.gov/funds/cattle.shtml once all represented breed EPDs are updated on the chart. These standards are effective July 18, 2003 [the Board meeting date].

This amendment only sets a standard for the EPDs; other portions of the program guidelines may still be made stricter by the program administrator, if they choose.

Funded Projects to Be Showcased

Nine projects funded through the KY Agricultural Development Fund (KADF) are scheduled to showcase at the Kentucky State Fair later this month.

The showcased projects will have a display at the KADF exhibit on "Main Street Kentucky" in the South Wing of the KY Fair & Exposition Center. (*See the schedule below for dates and times.*)

Project Showcase Schedule

| Friday, August 15 | Saturday, August 16 | Thursday, August 21 |
|--|--|--|
| 10 a.m.—Noon Green River Cattle Company | 10 a.m.—Noon KY Wool Society | 10 a.m.—Noon Commodity Growers Cooperative* |
| Noon—2:00 p.m. Little Kentucky Smokehouse | Noon—2:00 p.m. Central Kentucky Aquatics | Noon—2:00 p.m. Shuckman's Fish Co. & Smokery |
| 2:00 p.m.—4:00 p.m. KY Goat Association* | 2:00 p.m.—4:00 p.m. The Forest School | 2:00 p.m.—4:00 p.m. KY Center for Coop Development |
| 4:00 p.m.—6:00 p.m. Purchase Area Aquaculture Coop | 4:00 p.m.—6:00 p.m. Shady Lane Poultry | |

* Partner organizations, not funded projects

MODEL PROGRAM MANAGERS:

| | |
|---|--|
| Agricultural Diversification | Joel Neaveill Joel.Neaveill@mail.state.ky.us |
| Cattle Genetics Improvement | Penny Durham PennyR.Durham@mail.state.ky.us |
| Cattle Handling Facilities | Stephen Yates StephenP.Yates@mail.state.ky.us |
| Fencing Improvement | Brad Wellons BradleyD.Wellons@mail.state.ky.us |
| Forage Improvement | Maggie May MarjorieR.May@mail.state.ky.us |
| Goat Diversification | Penny Durham PennyR.Durham@mail.state.ky.us |
| Hay, Straw & Commodity Storage | Maggie May MarjorieR.May@mail.state.ky.us |
| On-farm Water Enhancement | Bill McCloskey BillB.McCloskey@mail.state.ky.us |

County Administrative Funds

During the 2003 legislative session, the General Assembly passed a resolution allowing County Agricultural Development Councils with over \$20,000 allotted from the Agricultural Development Fund to utilize a portion of those funds for administrative purposes.

Sixty-one of the eligible counties earmarked a portion of their funds for this purpose. The total allotment was \$348,044.

The checks for county administrative expenses have been mailed by the University of Kentucky and should arrive in the Extension offices this week.

Sen. McGaha (far right) presents a check to the Russell Co. Dairy Advancement Council at the Russell Co. Fair Open Dairy Show



Sen. Thayer (right) & Rep. Adams (2nd from left) present a check for the Owen County Farmers' Market

agpolicy.ky.gov

GOAP Website Updates

County Account Availability as of 7/18/03 posted:

<http://agpolicy.ky.gov/funds/availability.shtml>

ADF Board Meeting Details updated:

<http://agpolicy.ky.gov/board/meetings.shtml>

Counties with Model Programs updated:

http://agpolicy.ky.gov/funds/funded_model_programs.shtml

KCADE Resource Links page updated:

http://agpolicy.ky.gov/kcade/resource_links.shtml

GOAP Calendar updated:

<http://agpolicy.ky.gov/calendar.shtml>

Upcoming Meetings

ADB Project Review

Friday, Aug. 8, 9:00 a.m. & 1:00 p.m.

GOAP Board Room

KY Agricultural Finance Corp.

Friday, Aug. 8, 9:30 a.m.

Old Capitol Annex

Tobacco Settlement Oversight Committee

Thursday, Aug. 14, 1:30 p.m.

Capitol Annex Room 131

ADF Board Meeting

Friday, August 15, 10:30 a.m.

KFEC South Wing Board Room

If you wish to receive any of the documents mentioned in this newsletter either via fax or regular mail, please contact our office by e-mail, govkyagpolicy@mail.state.ky.us, or by phone, (502) 564-4627.

